

# Tax Increment Financing

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## **City Council Presentation**

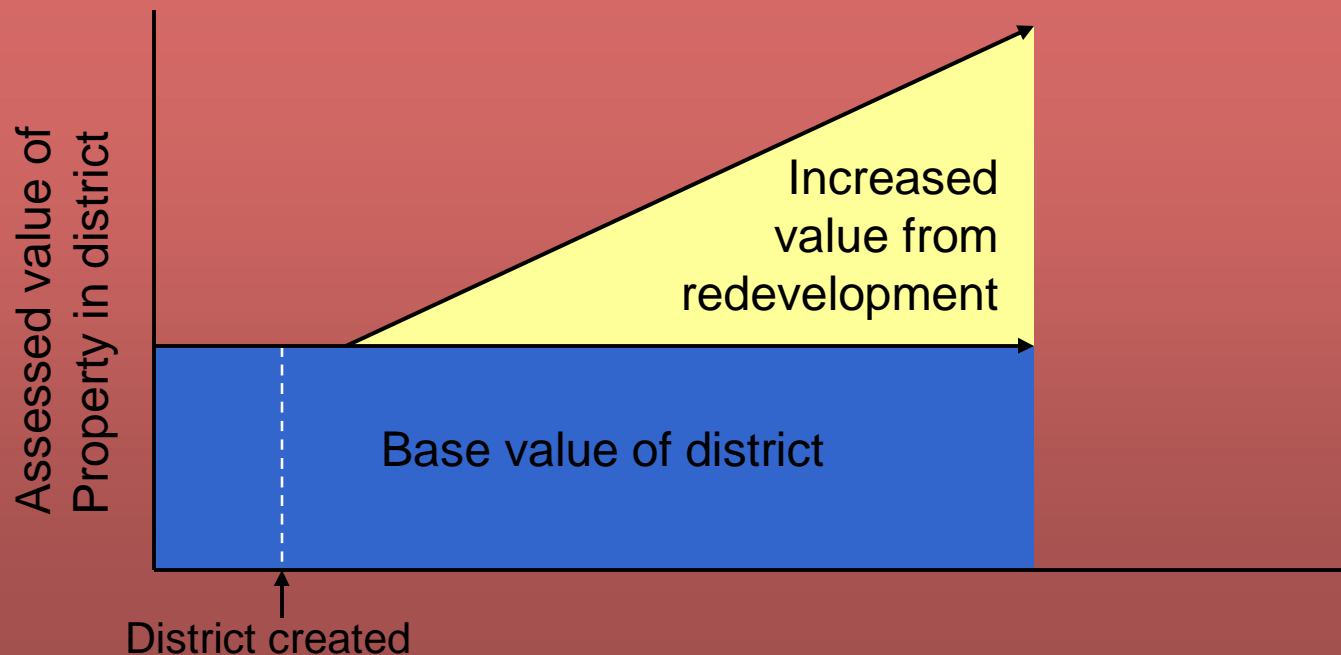
*December 14, 2009*

# Tax Increment Financing (TIF)

- Local financing tool to spur revitalization, economic development, and employment
- Allows municipalities to finance **public infrastructure** improvements that are necessary for **private development** to occur
- First adopted in California in 1951, 49 states and the District of Columbia have TIF statutes
- Popular because it is both an effective self-financing tool and a land use development tool

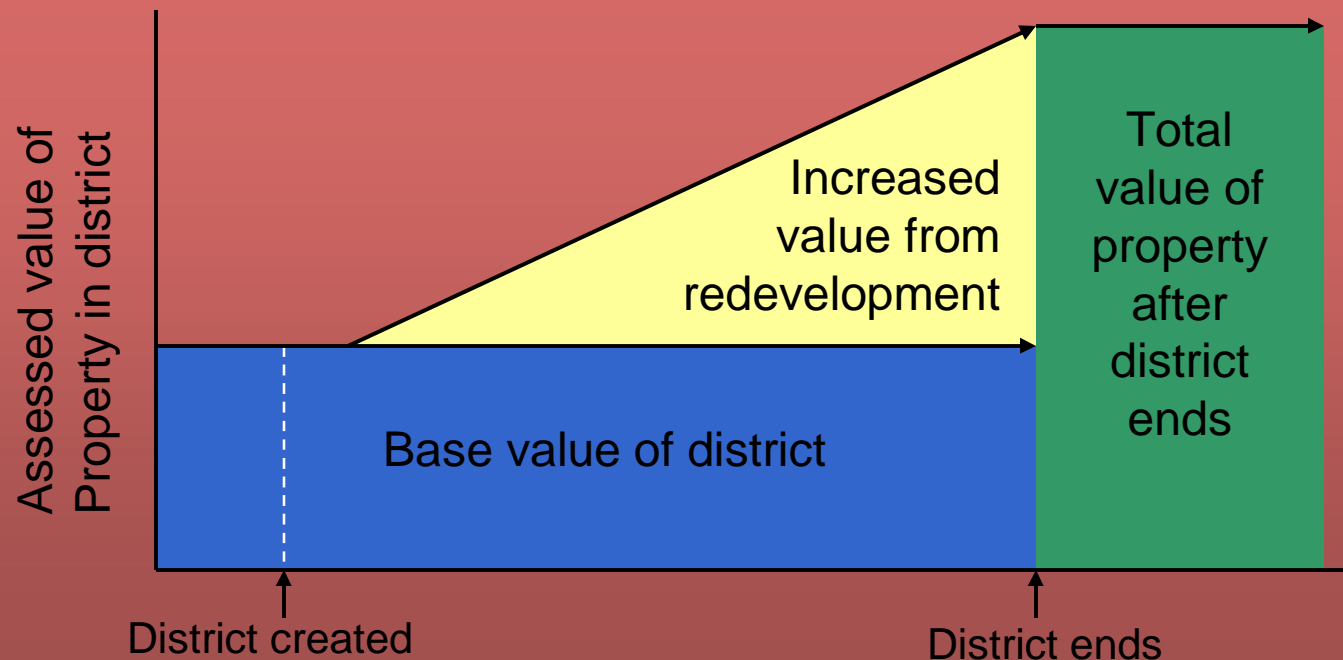
# How Does TIF Work?

- “Base value” is set at creation of district
- As redevelopment occurs, total value increases
- Taxes generated by the difference between total value and base value is the “tax increment”



# How Does TIF Work? (con.)

- Both municipal and education property taxes are captured to service TIF debt
- District dissolves once debt is retired; all taxes go to the taxing authorities



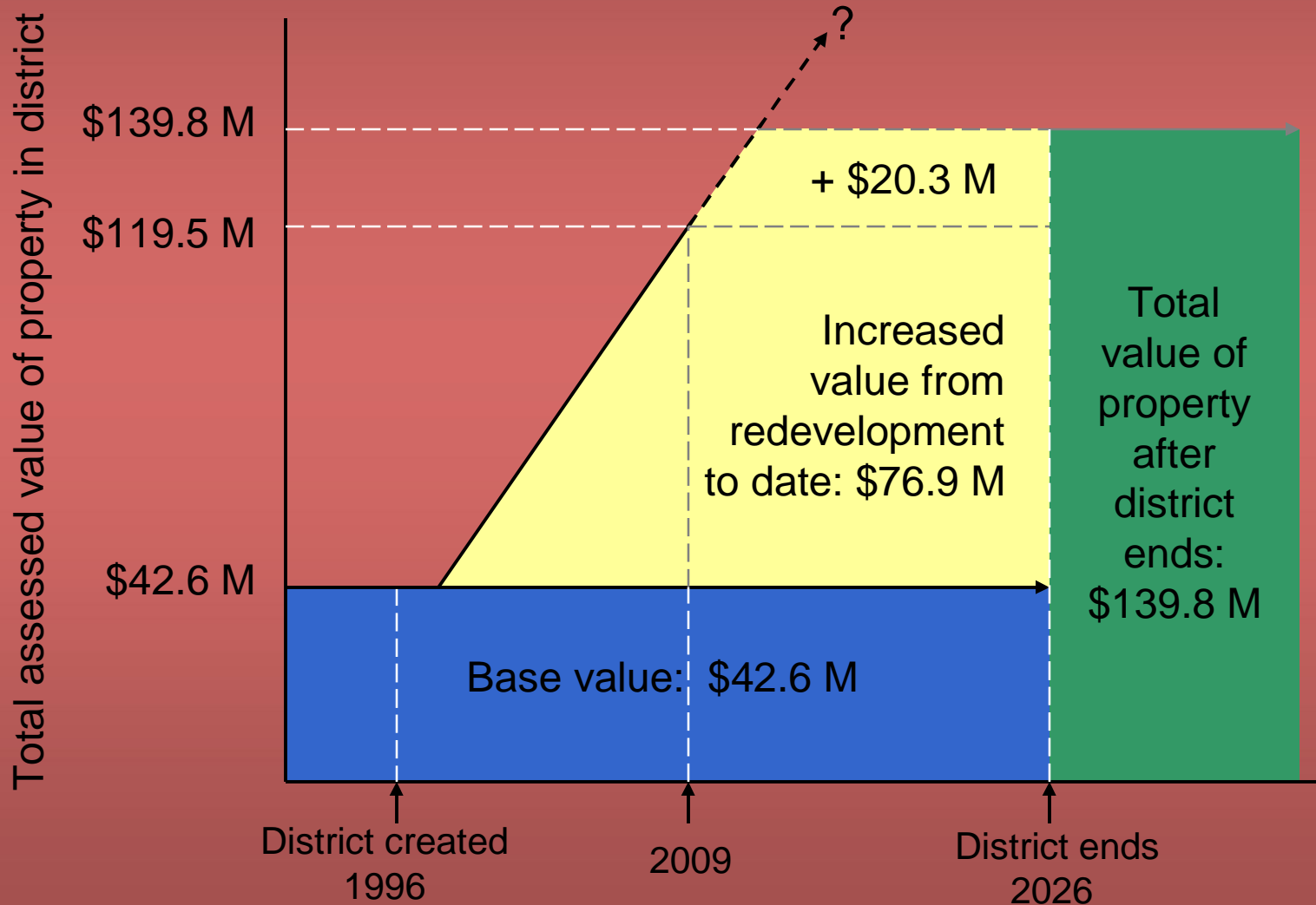
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- Established January 1996 by Burlington City Council
- Ratified by city-wide referendum in March 1996
- Created before Act 60: grandfathered under state law

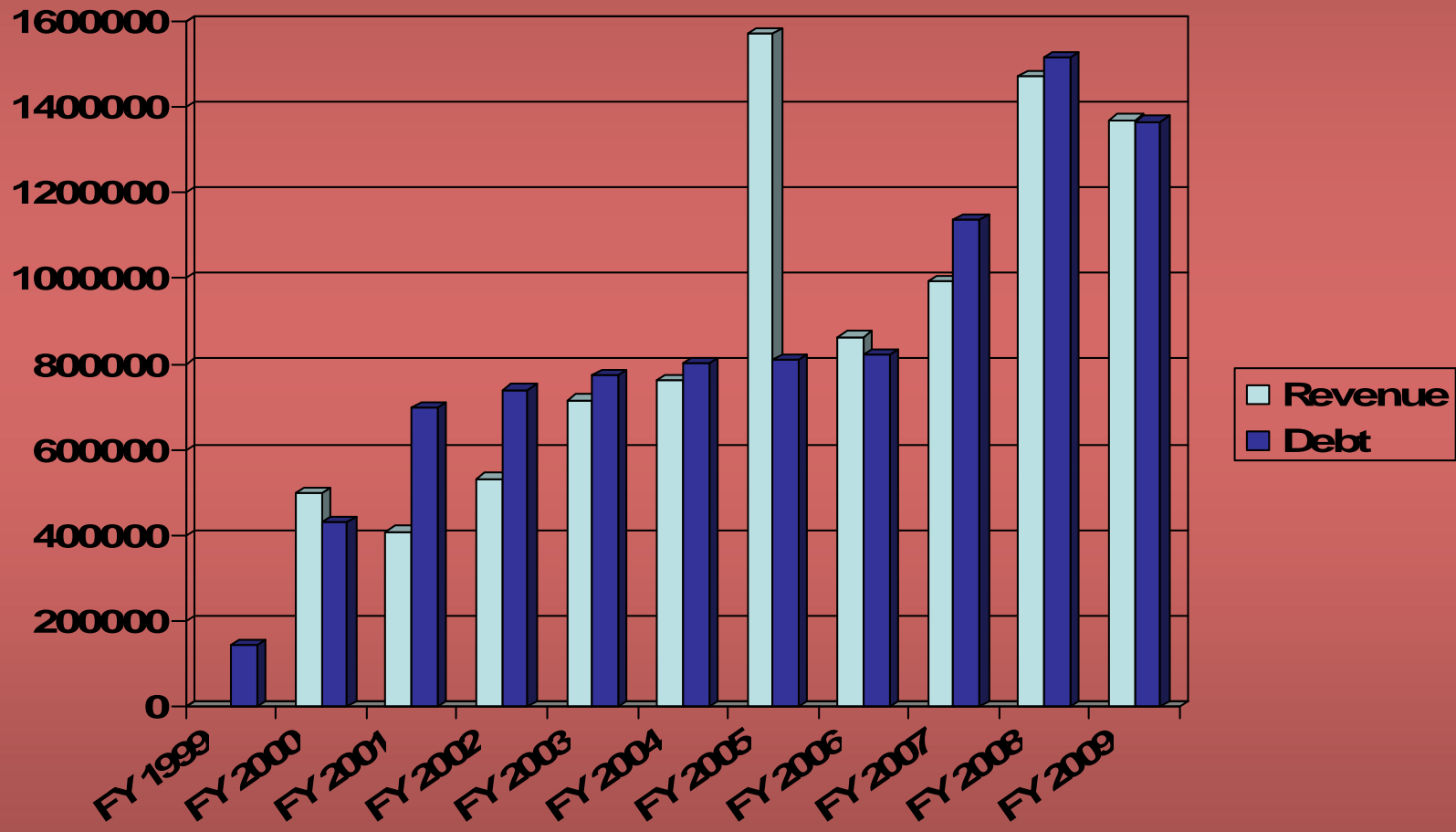
# Tax Increment Financed Projects

| Project                                | Description   | Date | Type of Financing             | Amount of TIF Debt   |
|--|---|------|-------------------------------|----------------------|
| Lake Street Reconstruction             | Reconstruction of road, infrastructure & pedestrian amenities   | 1999 | HUD Section 108               | \$ 1,148,350         |
| Urban Reserve Acquisition              | Acquisition of 45 acres of railroad land, put aside for future generations                            | 1999 | Certificates of Participation | \$ 1,390,000         |
| Lakeview Parking Garage                | Construction of 401 space parking facility; in conjunction with redevelopment of Burl Square Mall     | 1999 | Certificates of Participation | \$ 5,500,000         |
| Waterfront Fishing Pier                | Construction of public fishing pier; upland & shore-side improvements                                 | 2000 | Certificates of Participation | \$ 407,000           |
| Lake Street Extension                  | Extension of Lake Street to Waterfront Affordable Housing project                                     | 2004 | HUD Section 108               | \$ 495,000           |
| Lakeview, Westlake and College Garages | Two level expansion of Lakeview, construction of Westlake (Marriott), rehab of College Street garage. | 2005 | Certificates of Participation | \$ 7,870,000         |
|  |   |      | <b>TOTAL</b>                  | <b>\$ 16,810,350</b> |

# Actual Property Value Growth



# TIF Revenue vs. Debt Payments





# TIF – Moving Forward

- Authority to incur new debt expired in 2006
- “Vermont Recovery and Reinvestment Act” (Act 54) re-established authority for five years beginning January 1, 2010

# Capacity to Incur New Debt

- New projects = \$20 M in new prop value
- Over half of existing debt will be retired six years or more before end of TIF district
- Background growth and tax increases add to incremental tax revenues
- Estimated TIF Capacity > > > **\$7 million**

# TIF in the Moran Project

- “Section 108” HUD-Guaranteed Loan: \$2 million
- Waterfront North: \$3.2 million - TIF is back-up if we do not get federal grants
- Moran: TIF could provide revenue stream external to project to cover additional debt

# TIF Recap

- Only new property taxes are captured;
- District captures education property taxes;
- TIF is not a tax break nor a developer subsidy;
- District only captures real property taxes...  
General Fund still receives business personal property, local sales, and rooms & meals taxes.